



THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 8/23/2010

GAIN Report Number: RS1045

Russian Federation

Post: Moscow

Grain and Feed September Update

Report Categories:

Grain and Feed

Approved By:

Mary Ellen Smith

Prepared By:

Yelena Vassilieva

Report Highlights:

Several months of drought and heat in European Russia have resulted in a decrease in the Russian grain production forecast to 62 million metric tons (MMT), 36 percent less than the last year crop. Wheat crop forecast is 41 MMT, a 34 percent decrease from the last year. Despite the export ban imposed on August 15, 2010, Russia may export up to 5 MMT of grain in marketing year 2010/2011, including 4 MMT of wheat. Russia's grain imports may increase from 0.4 MMT in MY 2009 to 2.4 MMT in MY 2010. Most of this grain will be imported from the members of the Custom Union and Ukraine.

Production:

Production forecast

Drought and heat continues in European Russia physically destroying the grain crop. Both yields and quality have drastically decreased. FAS Moscow decreased the grain crop forecast to 62 million metric tons (MMT). This will be a 36 percent smaller crop than the last year. Wheat production may decrease by 34 percent from the last year to 41 MMT, while barley production may drop by 50 percent from last year to 9 MMT. The barley crop will be one of the lowest in the 20 years.

Table 1. OAA, FAS, Moscow forecasts PSD grain total for marketing year 2010/2011 [i] , in 1,000 metric tons, area in 1,000 hectares

| | Wheat | Barley | Corn | Rye | Oats | Millet | Rice | Other | TOTAL GRAIN |
|--------------------|--------|--------|-------|-------|-------|--------|------|-------|-------------|
| Area Harvested | 26,000 | 7,500 | 1,200 | 1,700 | 3,000 | 400 | 190 | 2,300 | 42,290 |
| Beginning Stocks | 12,519 | 2,127 | 167 | 302 | 376 | 0 | 49 | 0 | 15,540 |
| Production | 41,000 | 9,000 | 3,800 | 2,300 | 3,400 | 300 | 650 | 1,500 | 62,300 |
| MY Imports | 1,100 | 500 | 400 | 300 | 0 | 0 | 140 | 0 | 2,440 |
| TY Imports | 1,100 | 500 | 400 | 300 | 0 | 0 | 140 | 0 | 2,440 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 0 | 5 |
| Total Supply | 54,619 | 11,627 | 4,367 | 2,902 | 3,776 | 300 | 839 | 1,500 | 79,930 |
| MY Exports | 4,000 | 400 | 50 | 0 | 0 | 0 | 120 | 0 | 4,570 |
| TY Exports | 4,000 | 400 | 50 | 0 | 5 | 0 | 120 | 0 | 4,575 |
| Feed Consumption | 23,000 | 6,500 | 3,700 | 100 | 2,200 | 100 | 0 | 800 | 36,400 |
| FSI Consumption | 23,200 | 4,100 | 500 | 2,700 | 1,400 | 200 | 650 | 900 | 33,650 |
| Total Consumption | 46,200 | 10,600 | 4,200 | 2,800 | 3,600 | 300 | 650 | 1,600 | 69,950 |
| Ending Stocks | 4,419 | 627 | 117 | 102 | 176 | 0 | 69 | 0 | 5,510 |
| Total Distribution | 54,619 | 11,627 | 4,367 | 2,902 | 3,776 | 300 | 839 | 1,600 | 80,030 |
| Yield | 1.58 | 1.20 | 3.17 | 1.35 | 1.13 | 0.75 | 5.26 | 0.65 | 1.47 |

Russia's official crop forecast was lowered within the last three weeks from 70-75 MMT to 60-65 MMT and then to "not more than 60 MMT". The last official forecast of Russia's grain balance was made on the eve of grain export ban [ii] by the Prime Minister Vladimir Putin: 60 MMT (grain crop) + 9.5 MMT (grain stocks in the Intervention Fund) + 14.5 MMT (carry-over stocks at elevators) – 75 MMT (domestic consumption) = 9 MMT (end-of-year stocks) [iii] . This balance did not consider any grain imports or exports. The Russian Government says that it is closely monitoring the grain balance and will update its grain production, supply and distribution estimates in the beginning of October after harvest is over.

Experts' forecasts of 2010 grain crop vary from 59 MMT to 67 MMT.

Harvest update

The Russian Ministry of Agriculture reported that as of August 18, 2010, Russia harvested 40.1 MMT

of grain and legumes (in bunker weight), including 28.5 MMT of wheat and 5.7 MMT of barley. Grain was harvested from 19.2 million hectares, or 54 percent of the total area that may be harvested this year. Thus, MinAg decreased the total grain harvest area to 35.5 million hectares from the 43.2 million hectares. Although the harvest is said to continue in European Russia, farmers in the Central and Volga Valley Federal Districts have harvested almost all grain that they managed to get from their drought – burned fields. Harvesting of corn in the Southern and North Caucasus federal districts has not begun yet. Grain harvesting in the Ural federal district continues, and in the Siberian Federal District has only just started.

^[i] Marketing years for most of grains produced in Russia begin on July 1, and end on June 30

^[ii] For more information see GAIN RS 1039 Ban on Grain Exports from Russia Comes to Force on August 15 _ Moscow _ Russian Federation _ 8/6/2010

^[iii] Source: Izvestia, August 12, 2010

Consumption:

FAS Moscow forecasts the total domestic grain consumption to decrease by 8 percent from the last year to 70 MMT. Food, seed and industrial consumption may decrease by 5 percent to 34 MMT. This decrease is attributed to lower than last year's industrial consumption. Feed consumption may decrease by 9 percent from the last year's 40 MMT. As for consumption of the major grain crops, wheat consumption might increase from the last year's level by 13 percent due to increased wheat consumption in feeding, to compensate for the shortage of feed barley. Barley for feed consumption may drop by 47 percent from the last year to 6.5 MMT. Experts also forecast a decrease in industrial consumption of rye caused by the low rye crop. Production of feed crops, especially feed wheat and barley most drastically decreased in the Volga Valley and in the Central European provinces. Experts estimate the shortage of feed grain in these provinces at 7 to 8 MMT. The shortage may be partially compensated by grain shipments from Siberia. However, the cost of transportation of this grain is high, and these expensive feeds may cause decrease in the Russian production of milk and some other livestock products.

Trade:

FAS Moscow forecasts grain exports to decrease from the MY 2009 by 80 percent to less than 4.6 MMT. The Russian Government imposed a ban on exports of wheat, barley, rye, corn, and wheat and rye flour from August 15 to December 31, 2010^[i]. Experts estimate that from July 1 (beginning of MY 2010) to August 15 Russia exported approximately 3 MMT of grain, including 2.6 MMT of wheat. Anticipating government export restrictions, in July traders exported record grain volumes, slightly less than 2 MMT, including up to 1.8 MMT of wheat. On August 15 all grain exports stopped. However, after December 31, when Russia's grain balance becomes clear, some grain exports might resume. First of all Russia may resume exports of wheat to countries, where they have outstanding tenders.

Meantime, the low crop may stimulate imports of grain to Russia. FAS Moscow forecasts grain imports to increase from 0.5 MMT in MY 2009 to 2.4 MMT in MY 2010. The Russian Minister of Agriculture

reported that the Russian government has not considered any centralized grain imports so far^[ii]. In the meantime, commercial imports of grain from Kazakhstan (wheat), Belarus (barley and rye) and Ukraine (feed wheat and corn) may increase. Kazakhstan and Belarus, members of the Custom Union, did not suffer from drought as much as Russia and their grain export potential exceeds Russian grain shortage. FAS Moscow forecasts wheat imports at 1.1 MMT, and most of this wheat will come from Kazakhstan. This wheat may compensate for additional exports of wheat from the Southern Federal District if export ban is lifted after December 31, 2010. Barley imports may reach 0.5 MMT. Most likely this will be feed barley, but malting barley imports are also possible by Russian malt and beer producers. Russian provincial flour millers may import up to 0.3 MMT of rye in order to cover domestic production shortages. Livestock and poultry producers and feed millers may increase imports of corn either from Ukraine or other corn exporting countries to 0.4 MMT

^[i] For more information see GAIN RS1039 Ban on Grain Exports from Russia Comes to Force on August 15 _ Moscow _ Russian Federation _ 8/6/2010

^[ii] Source: Vedomosti, August 19, 2010

Stocks:

On August 12, 2010, the Russian Agricultural Minister reported that Russia's grain stocks on the beginning of marketing year are 24 million metric tons, including 9.5 MMT of grain in the intervention fund, and 14.5 MMT of grain stored at the elevators and other places, including private households. Grain stored at the private households was estimated by the Russian Agricultural Minister at 3 MMT^[i]. FAS Moscow estimates beginning of year grain stocks at 15.5 MMT. By the end of marketing year these stocks may decrease to below 6 MMT.

^[i] Source: Agronews, August 12, 2010, and Skrynnik's interview to Ekho Moskv

Policy:

On August 5, Russia introduced an export ban on grain for the period August 15 through December 31, 2010. In August the Russian Government also announced support for Russian farmers in the drought-affected provinces, including loans to provinces for fall and spring sowing (25 billion rubles or \$833 million), direct subsidies to drought-affected farmers, (especially dairy and other livestock farmers), and the distribution of intervention feed grain to livestock farmers. The Government also envisages the extension of farmers' loans and leasing payments to the state banks and Rosagroleasing and possibly postponing tax payments. However, the final decision on these measures has not been adopted yet. Most of these measures are targeted to support livestock and dairy farms in the drought-affected provinces. The Government also declared possible control over the staple food prices if they increase faster than the Federal Law on Retail Trade envisages^[i]. .

^[i] For more information see GAIN reports RS1041 _ Drought and Heat Hit Food Prices _ Moscow _ Russian Federation _ 8/16/2010 and RS1038 _ Government to Control Prices for Socially Important Food _ Moscow _ Russian Federation _ 7/30/2010

Production, Supply and Demand Data Statistics :

Wheat

PSD, Wheat, 1,000 Metric Tons, Area in 1,000 Hectares

| Wheat Russia | 2008/2009 | | | 2009/2010 | | | 2010/2011 | | |
|--------------------|--------------------------------|-------------|-------------|--------------------------------|-------------|-------------|--------------------------------|-------------|-------------|
| | Market Year Begin: Jul 2008 | | | Market Year Begin: Jul 2009 | | | Market Year Begin: Jul 2010 | | |
| | USDA Official | Old Post | New Post | USDA Official | Old Post | New Post | USDA Official | Old Post | New Post |
| Area Harvested | 26,650 | 26,650 | 26,650 | 28,700 | 28,700 | 28,700 | 26,700 | 26,500 | 26,000 |
| Beginning Stocks | 3,869 | 1,819 | 1,819 | 10,479 | 10,479 | 10,479 | 11,829 | 12,829 | 12,519 |
| Production | 63,700 | 63,700 | 63,700 | 61,700 | 61,700 | 61,700 | 45,000 | 50,000 | 41,000 |
| MY Imports | 203 | 203 | 203 | 150 | 150 | 110 | 650 | 200 | 1,100 |
| TY Imports | 203 | 203 | 203 | 150 | 150 | 110 | 650 | 200 | 1,100 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 67,772 | 65,722 | 65,722 | 72,329 | 72,329 | 72,289 | 57,479 | 63,029 | 54,619 |
| MY Exports | 18,393 | 18,393 | 18,393 | 18,500 | 18,200 | 18,570 | 3,000 | 14,000 | 4,000 |
| TY Exports | 18,393 | 18,393 | 18,393 | 18,500 | 18,200 | 18,570 | 3,000 | 14,000 | 4,000 |
| Feed and Residual | 16,200 | 14,773 | 14,773 | 19,000 | 18,300 | 18,200 | 26,000 | 22,000 | 23,000 |
| FSI Consumption | 22,700 | 22,077 | 22,077 | 23,000 | 23,000 | 23,000 | 23,200 | 23,000 | 23,200 |
| Total Consumption | 38,900 | 36,850 | 36,850 | 42,000 | 41,300 | 41,200 | 49,200 | 45,000 | 46,200 |
| Ending Stocks | 10,479 | 10,479 | 10,479 | 11,829 | 12,829 | 12,519 | 5,279 | 4,029 | 4,419 |
| Total Distribution | 67,772 | 65,722 | 65,722 | 72,329 | 72,329 | 72,289 | 57,479 | 63,029 | 54,619 |
| Yield | 2. | 2. | 2.39 | 2. | 2. | 2.15 | 2. | 2. | 1.58 |

Barley

PSD, Barley, 1,000 Metric Tons, Area in 1,000 Hectares

| Barley Russia | 2008/2009 | | | 2009/2010 | | | 2010/2011 | | |
|-------------------|--------------------------------|-------------|-------------|--------------------------------|-------------|-------------|--------------------------------|-------------|-------------|
| | Market Year Begin: Jul 2008 | | | Market Year Begin: Jul 2009 | | | Market Year Begin: Jul 2010 | | |
| | USDA Official | Old Post | New Post | USDA Official | Old Post | New Post | USDA Official | Old Post | New Post |
| Area Harvested | 9,600 | 9,600 | 9,600 | 9,050 | 7,750 | 7,750 | 7,500 | 7,500 | 7,500 |
| Beginning Stocks | 1,025 | 1,025 | 1,025 | 3,637 | 3,637 | 3,637 | 1,987 | 2,162 | 2,127 |
| Production | 23,100 | 23,100 | 23,100 | 17,900 | 17,875 | 17,875 | 10,000 | 12,000 | 9,000 |
| MY Imports | 56 | 56 | 56 | 50 | 50 | 15 | 300 | 100 | 500 |
| TY Imports | 39 | 50 | 50 | 50 | 50 | 15 | 300 | 100 | 500 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 24,181 | 24,181 | 24,181 | 21,587 | 21,562 | 21,527 | 12,287 | 14,262 | 11,627 |
| MY Exports | 3,444 | 3,444 | 3,444 | 2,600 | 2,800 | 2,800 | 400 | 800 | 400 |
| TY Exports | 3,598 | 3,598 | 3,598 | 1,900 | 2,800 | 2,800 | 400 | 800 | 400 |
| Feed and Residual | 12,300 | 12,300 | 12,300 | 12,300 | 12,100 | 12,100 | 7,000 | 8,100 | 6,500 |

| | | | | | | | | | |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Supply | 4,713 | 4,563 | 4,563 | 4,597 | 4,632 | 4,632 | 2,862 | 3,552 | 2,902 |
| MY Exports | 16 | 16 | 16 | 10 | 10 | 10 | 10 | 0 | 0 |
| TY Exports | 14 | 14 | 14 | 10 | 10 | 10 | 10 | 0 | 0 |
| Feed and Residual | 900 | 750 | 750 | 825 | 820 | 820 | 100 | 380 | 100 |
| FSI Consumption | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | 2,600 | 2,900 | 2,700 |
| Total Consumption | 4,400 | 4,250 | 4,250 | 4,325 | 4,320 | 4,320 | 2,700 | 3,280 | 2,800 |
| Ending Stocks | 297 | 297 | 297 | 262 | 302 | 302 | 152 | 272 | 102 |
| Total Distribution | 4,713 | 4,563 | 4,563 | 4,597 | 4,632 | 4,632 | 2,862 | 3,552 | 2,902 |
| Yield | 2. | 2. | 2.05 | 2. | 2. | 2.06 | 1. | 2. | 1.35 |